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SUBJECT: PANAMA'S CSS NATIONAL DIALOGUE INCHES FORWARD,  
TORRIJOS'S POPULARITY OFF ROCK BOTTOM BUT NO DEAL IS IN  
SIGHT

REF: A. PANAMA 1184

[1](#)B. PANAMA 1377

[1](#)C. PANAMA 1415

#### SUMMARY

[1](#)1. (SBU) Four weeks into the 90-day National Dialogue on Social Security (CSS) Reform (reftels A and B), negotiations have produced few results other than threats of more strikes and demonstrations. The National Front for the Defense of CSS (FRENADESO) is promising to demonstrate on July 28, in line with the beginning of the Caribbean Summit hosted by Panama, and the SUNTRACS construction union already has announced a strike to begin October 6, the day after the Dialogue is set to end. Participants in the GOP-sponsored Dialogue, which include labor and civil society groups, have expressed doubt about the sustainability of the talks. Confirming GOP fears that their agenda is solely political, FRENADESO and SUNTRACS have successfully blocked productive negotiation thus far, insisting on their maximum programs. The GOP has begun to negotiate outside of the Dialogue with moderate labor groups such as teachers and doctors, but lacks a plan "B" in the event that negotiations fail. A successful conclusion to the 90-day talks seems unlikely. End Summary.

#### FRENADESO Loses Ground but Holds Talks at Bay

[1](#)2. (SBU) The GOP is counting on its ability to reach separate deals with teachers and physicians, who, it rightly reckons, have little in common with blue collar construction unions. Thirteen groups are represented in the Dialogue, now finishing its fourth week, with the Catholic Church as "guarantor" of any agreement reached. Teachers unions, which allied themselves with FRENADESO during the initial May-June strikes, now can negotiate with the government as individual members at bargaining the table. The teachers seem to have shed their direct links to FRENADESO as FRENADESO continues to create delays in the negotiating process. Evidence of any actual progress toward a deal, however, is scanty.

#### Is the Pot Calling the Kettle...

[1](#)3. (SBU) Facing an October 5 deadline, the discussions have not moved beyond Article 1 of the 180-article law. In one of the few advances made in the talks, participants created commissions on finance, pension, and health management to discuss CSS administration, with a report due within 30 days.

FRENADESO spokesman Andres Rodriguez accused the GOP and private sector of intentionally delaying discussions on the most controversial topics, such as retirement age and contribution quotas, so that the 90-day period would pass without those issues being touched upon or modified. Labor Minister Reynaldo Rivera, the GOP's sole representative at the talks, responded by pointing out that FRENADESO had not presented any concrete proposals. In the same week, FRENADESO also lost its bid to discuss CSS without reference to the Law 17 reform bill. (Note: Law 17 is the CSS reform package that National Assembly passed and subsequently suspended so that the National Dialogue could move forward. FRENADESO had refused to negotiate at the Dialogue unless the law was officially suspended. End Note).

#### GOP Machinations: No Plan B

[1](#)4. (SBU) On July 26, twenty-nine civil society organizations made a public statement addressed to the Dialogue's thirteen sectors to set aside "personal, sectorial, ideological and political interests" so that the Dialogue could move forward. They also published a full-page communiqué to the nation a day later that asked Panamanian society to hold responsible those who create instability and obstacles to dialogue.

[1](#)5. (SBU) Minister of Government and Justice (MOGJ) Hector Aleman on July 21 told Pol Specialist that he had already begun private negotiations with the teachers' and doctors' unions. His job is to find non-radical groups to negotiate with and to isolate the radicals. According to Aleman, the GOP believes SUNTRACS will not accept any solution to CSS

reforms. When asked what the GOP would do if the deadline passes without an agreement, Aleman only responded: "We are working hard to prevent that from happening." In a separate conversation, Comptroller General Dani Kuzniecky expressed disappointment that Cabinet meetings and government committees were not discussing the National Dialogue at all. Kuzniecky said that the GOP had no plan "B" if the talks fail.

Comment: Out of the Frying Pan into the Fire

16. (SBU) High public expectations for a National Dialogue-negotiated resolution to CSS reform with buy-in from all sectors will only create more trouble for the GOP if it is caught holding the bag should negotiations fail. According to a recent La Prensa poll, 62% of Panamanians hope that the Dialogue will come up with proposals to save CSS. On the other hand, public support for the National Dialogue also indicates that FRENADESO's stalling will not win public support. The pendulum, at least for now, has swung toward the government: in early July, President Torrijos's approval rating moved up to 39%, from a crushingly low, CSS-related 24% in June (reftel C).

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